

Message Text

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ACTION ARA-10

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FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 1517

INFO AMEMBASSY BOGOTA

AMEMBASSY GUATEMALA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

C O N F I D E N T I A L TEGUCIGALPA 4604

E.O. 11652: GDS

TAGS: EAGR, HO

SUBJECT: BANANAS: STANDARD FRUIT HAS POSITIVE NEGOTIATING POSTURE

1. SUMMARY: ART CARTER, NEWLY APPOINTED BY CASTLE AND COOKE TO HEAD STANDARD FRUIT BANANA OPERATIONS IN HONDURAS CALLED ON EMBASSY OCTOBER 22. MR. CARTER ENTERS HIS DUTIES WITH MUCH EXPERIENCE IN BANANA OPERATIONS AND A LOW-KEY OPTIMISM TOWARD DEVELOPING A SOLID, LONG-TERM RELATIONSHIP WITH THE GOH. HE ALREADY HAD A PERSONAL WORKING RELATIONSHIP WITH BENJAMIN VILLANUEVA, HEAD OF THE HONDURAN BANANA CORPORATION (COHBANA). EXPLOYATORY CONVERSATIONS WITH SR. VILLANUEVA HAVE BEGUN. END SUMMARY.

2. DISPOSITION OF THE COMPANY PIER AT LA CEIBA AND RAILROAD OPERATIONS WILL BE SUBJECT OF EARLY DISCUSSIONS. MORE INTERESTINGLY, MR. CARTER WILL BROACH A REORGANIZATION OF THE ISLETAS BANANA PRODUCTION AREA. MR. CARTER WILL PROPOSE A
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PROGRAM BY WHICH COHBANA WILL TAKE OVER BANANA AND OTHER EXPORT

CROP POTENTIAL IN ISLETAS. UNDER COOPERATIVES MANAGED BY COHBANA WITH STANDARD FRUIT TECHNICAL PARTICIPATION, A REHABILITATION AND VERSIFICATION PROGRAM WOULD BE GENERATED.

3. THE PROPOSAL IS SIMILAR TO ONE PREVIOUSLY ACCEPTED BY SR. VILLANUEVA EARLY THIS YEAR IN CONVERSATIONS IN SAN FRANCISCO, BUT NOT ACCEPTED BY THE GOH COUNCIL OF MINISTERS. IN THE PAST EIGHT MONTHS, THE INSTITUTO NACIONAL AGRARIO (INA) HAS BEEN OPERATING IN THE ISLETAS AREA UNDER THE AGRARIAN REFORM LAW. THERE IS A POTENTIAL AREA OF CONFLICT BETWEEN INA AND COHBANA SINCE INA HAS ENTERED INTO A BROADLY PUBLICIZED PROGRAM IN THE FORTY-THREE THOUSAND ACRE AREA AND MAY SHORTLY ANNOUNCE EXPROPRIATION UNDER THE AGRARIAN REFORM LAW. BANANA PRODUCTION EXISTS ON ONLY FIVE THOUSAND ACRES OF WHICH TWO THOUSAND ARE GOVERNMENT LANDS FORMERLY LEASED BY STANDARD FRUIT.

4. IN ADDITION, MR. CARTER IS PROJECTING EXPANSION OF NON-BANANA AGRICULTURAL EXPORTS IN GRAPEFRUIT, PINEAPPLE, MANGO AND TRUCK VEGETABLES. SUCH EXPANSION, IF FEASIBLE THROUGH ARRANGEMENTS WITH THE GOVERNMENT, COULD RAPIDLY REESTABLISH THE FOREIGN EXCHANGE VALUE OF STANDARD FRUIT EXPORTS TO THE PRE-HURRICANE LEVELS.

5. MR. CARTER STATES THAT STANDARD FRUIT HAS APPLIED FOR AND RECEIVED MANY OF THE BENEFITS FOR AGRICULTURAL INDUSTRIALIZATION UNDER HONDURAN INCENTIVE PROGRAMS. IN TERMS OF CASH FLOW THE COMPANY SHOULD BE, HE STATES, IN BETTER CONDITION THAN IF IT WERE STILL OPERATING UNDER THE CANCELLED CONCESSIONS.

6. COMMENT: MR. CARTER'S ENTHUSIASM AND OPTIMISM SHOULD SERVE WELL DURING THE IMMINENT NEGOTIATIONS WITH THE GOH AND COHBANA. WE BELIEVE COHBANA WILL BE RECEPTIVE, BUT THE RESPONSIVENESS OF OTHER AGENCIES OF THE GOH MAY BE FAR LESS FAVORABLE. FOR THE MOMENT WE BELIEVE THAT STANDARD-GOH PRELIMINARY TALKS ARE OFF TO A SOLID BEGINNING.
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